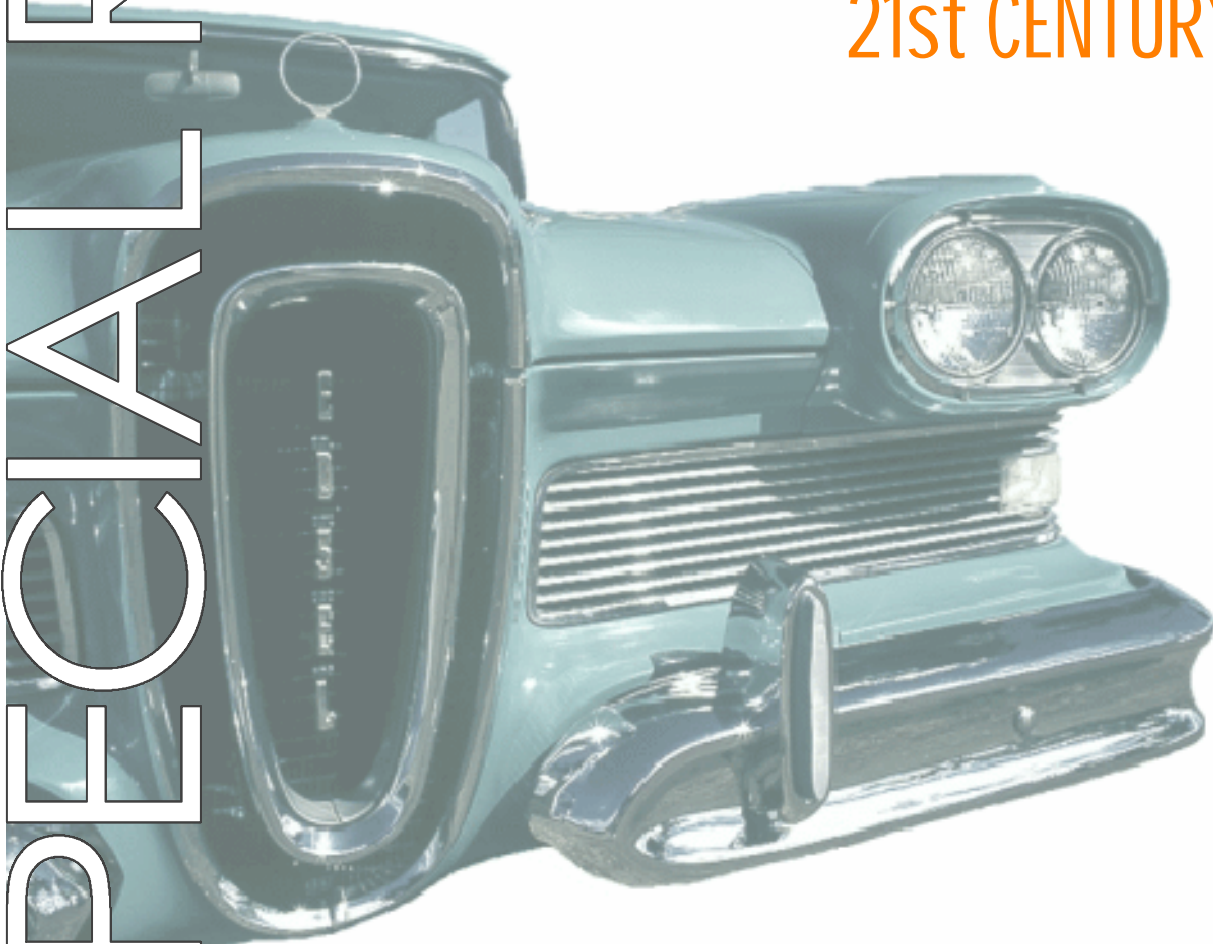


SPECIAL REPORT

A JOINT SPECIAL REPORT
BY THE
HOUSE DPC
AND THE
CAUCUS TASK
FORCE ON
ENERGY

THE BUSH ENERGY BUDGET

AN EDESEL PLAN FOR THE
21st CENTURY



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THE BUSH ENERGY BUDGET: *AN EDSSEL PLAN FOR THE 21ST CENTURY*

Both as a candidate and as President, George W. Bush has emphasized that, in order to deal with our energy problems, the country needs long-term energy solutions. For example, at the White House on Monday, March 19, at a meeting of his Energy Task Force, President Bush told the nation:

“We’re finding in certain parts of the country that we’re short on energy. One thing is for certain, there are no short-term fixes. The solution for our energy shortage requires long-term thinking.”

President George W. Bush, March 19, 2001

And yet the energy budget that President Bush has put forward fails to meet his own commitment. Indeed, the Bush energy budget fails to provide a long-term, balanced national energy strategy – a strategy dealing with both supply and demand.

Instead, the energy budget President Bush has proposed relies almost solely on drilling in the Arctic National Wildlife Refuge (ANWR) as the answer to all that ails America. The Bush budget ignores conservation, cuts energy efficiency and renewable energy programs, shortchanges research and development, and is very conservative with its compassion for the problems facing American families. A key reason that the Bush energy budget is so inadequate is that the Bush \$2 trillion-plus tax cut is so huge that, in order to make room for it, spending cuts are required in important energy programs.

Over the past 30 years, dramatic strides in energy efficiency have saved businesses and consumers billions of dollars – contributing significantly to the nation’s economic growth. And yet now, Bush targets the very programs that are essential to lowering future energy demand and costs.

President Bush cuts funding for the Department of Energy (DOE) by \$700 million below the department’s FY 2001 appropriation. Furthermore, this funding level is \$1.4 billion below the level needed, according to CBO, to maintain purchasing power for energy programs at their FY 2001 levels. **That effectively cuts DOE by 7% in the middle of an energy crisis.** Bush’s proposed increases in DOE’s defense-related programs will cause civilian energy supply and conservation programs to be cut by over 10% – with some critical programs in danger of cuts of over 30%.

The Bush energy budget breaks promises on cleaning the air, promotes highly controversial plans to drill in wildlife refuges, and ignores the reality that over the past 30 years America has saved four times more energy through conservation and improved efficiency than has been found from new sources. As we stand in the first year of the 21st Century, the Bush Administration is proposing an energy plan for an Eisenhower-era America.

Americans oppose a production-only approach to energy policy. On March 16, 2001, Gallup released a poll showing that 64% of Americans oppose the production-only approach to energy policy being pursued by the Bush Administration. See *Gallup survey, conducted 3/5-7 of 1,060 adults, released March 16, 2001.*

THE BROKEN CAMPAIGN PROMISES OF GEORGE W. BUSH

Energy Efficiency & Renewable Energy Programs: In his major September 29th energy policy speech during the Fall campaign, *Candidate* Bush vowed, “To enhance America’s long-term energy security, we must continue developing renewable sources of energy.” Unfortunately, *President* Bush has failed to live up to this commitment. According to press reports, under the Bush budget for FY 2002, the Energy Department’s energy efficiency and renewable energy programs will be cut by as much as 22% from their current \$1.18 billion level. See *USA Today*, 2/26/01.

Low-Income Weatherization: During the Fall campaign, *Candidate* Bush called for a doubling of funds for the low-income weatherization program. *President* Bush unfortunately falls \$40 million short of that goal in 2002 alone – and \$450 million short over ten years. The Bush budget claims he “will nearly double” weatherization funds – that “nearly” means the Bush Administration will fall roughly 150,000 homes short of actually doubling the program over the next ten years. In fact, the Bush plan simply restores the program to the level it was at during the first two years of the Clinton Administration, before it was severely cut when Republicans took control of Congress in 1995. (Indeed, one of the first things the GOP did when they took power in 1995 was to slash the Low-Income Weatherization program by 50%!) Absent these shortsighted GOP cuts, DOE has estimated that an additional 250,000 homes would be weatherized today. These 250,000 families would be saving hundreds of dollars per family per year, and lower energy demand would be benefitting the entire economy and contributing to reducing air pollution.

LIHEAP: Despite his campaign statements in support of the LIHEAP program (Low-Income Home Energy Assistance Program), that helps low-income families pay their heating and cooling bills, the Bush Budget is silent on LIHEAP funding. The only reference to LIHEAP in the budget notes how LIHEAP funds can be diverted to the low-income weatherization program. It raises the question whether the Administration plans to pay for its increase in low-income weatherization at the expense of LIHEAP. Today, despite record-high energy prices and recent winter storms, fewer than one in three eligible families get LIHEAP assistance. Even if fully funded to its current authorization level of \$2 billion, nearly half of eligible families might fail to get assistance.

Candidate Bush called for “enhancing” LIHEAP with royalties received from drilling on public lands. Unfortunately, oil prices would have to stay at near record high prices, over \$30 per barrel, for a full year before LIHEAP could be fully funded under this plan.

Clean Air: Candidate Bush said he was “committed” to mandatory reduction targets for utilities for four air pollutants, including carbon dioxide. President Bush’s budget was silent on committing resources to achieve this goal. Now we know why. On March 13, President Bush flip-flopped and came out in opposition to new carbon dioxide standards. “I can’t think of a president who has achieved that bad an environmental record in only 60 days,” said Phil Clapp, president of the National Environmental Trust. See *CNN, March 15, 2001*.

CUTS IN ENERGY EFFICIENCY & RENEWABLE ENERGY PROGRAMS IN THE BUSH BUDGET

The Bush budget’s “comprehensive” energy plan does not even mention the words “conservation” or “efficiency.” The Bush outline of the DOE budget, however, makes clear that these highly successful programs are going to face bleak futures in the Bush Administration. Indeed, as was mentioned above, the February 26th *USA Today* reports that the Energy Department’s energy efficiency and renewable energy programs will be cut by as much as 22% from their current \$1.18 billion level. Similarly, the March 7th *Washington Post* reported that up to half of the \$700 million cut in DOE below the FY 2001 appropriations level would occur in these programs. “We’re looking at cuts of up to 30% [from current funding levels for these programs],” stated David Nemtzw, president of the Alliance to Save Energy. See *Washington Post, March 7, 2001*.

Bush fails to recognize that since 1973, improved energy efficiency and renewable energy have supplied over 80% of the growth in U.S. energy needs beyond 1973 consumption levels. They also have led to a reduction of over 8.25 million tons in carbon emissions. See *Alliance to Save Energy, “It Doesn’t Have to Hurt,” report from 1997*.

Indeed, DOE estimates that energy efficiency and renewable energy programs will reduce crude oil imports by 1,269 billion barrels per year by 2020. At the same time, DOE also estimates that fossil fuel programs will reduce crude oil imports by 520 million barrels per year by 2020. While fossil fuel programs clearly make an important contribution, these statistics highlight the **key** role energy efficiency and renewable programs can play in reducing our dependence on foreign oil. See *“Evaluating U.S. Vulnerability to Oil Supply Disruption and Options for Mitigating Their Effects,” GAO report RCED 97-6, December 6, 1996*.

Not only does the Bush budget cut solar and renewable programs this year. The Bush budget also makes future solar and renewable funding contingent on the unlikely success of the Bush plan to drill in the Arctic National Wildlife Refuge!! Even if this controversial drilling proposal were to become law, solar and renewable programs would have to wait another three years before getting even a dime – even by the Administration’s own estimate. In addition, the \$1.2 billion “bid bonus” (collected from selling rights to drill in the refuge) Bush is anticipating in 2004 would roughly equal the amount of money President Bush proposes to cut over the next three years. By 2008, the budget then proposes “phasing down” this funding, once again cutting solar and renewable programs.

The vague promise of tax credits referenced in the Bush budget seems to be an attempt to claim credit for the already anticipated extension of current, Democratic-sponsored tax

laws supporting the implementation of solar and renewable technologies.

SNOW BLIND IN THE ARCTIC

Despite strong, longstanding, bipartisan opposition, the “uniter, not a divider” President continues to push the highly controversial, anti-environmental agenda of calling for drilling in the Arctic National Wildlife Refuge (ANWR). In fact, much of the funding proposed in the “comprehensive” Bush energy plan is dependent on collecting bid bonuses from the Arctic wildlife refuge. Not only is this unlikely to happen, making this a hollow promise, but even optimistically it would take up to ten years before the crude would begin to flow to increase supplies of oil on the market.

While the Bush Administration pushes the divisive plan to drill in the Arctic National Wildlife Refuge (ANWR), wide areas of Alaskan land are already open to oil and gas exploration. For example, natural gas is the fuel of choice for most new electricity generation plants coming on line or in the planning stages. Reserves of natural gas are all but depleted, but at the same time there is an abundant supply waiting to be tapped. In the vicinity of Prudhoe Bay on the Alaskan North Slope, there is an estimated 32 to 38 trillion cubic feet of natural gas ready for development. While the infrastructure to bring this fuel south has yet to be put into place, this is an area well worth exploring, considering that the U.S Geological Survey has estimated that with additional exploration, the potential could be to double the current estimate of potential natural gas.

Despite Bush campaign charges, domestic natural gas production on public lands actually grew significantly under President Clinton, exceeding production levels during the Reagan and Bush years – and yet it did not prevent our current energy crisis. Federal lands now account for over 37 percent of domestic natural gas production.

Since 1993, the Bureau of Land Management (BLM) has issued over 28,000 new onshore oil and gas leases and more than 15,000 permits to drill. Notably, BLM conducted a major new lease sale in 1999, offering 3.9 million acres of the National Petroleum Reserve-Alaska (a 23 million acre area west of Prudhoe Bay). In 2000, onshore federal leases produced 2.2 trillion cubic feet of natural gas, accounting for 11 percent of domestic natural gas production.

According to the Department of Interior, approximately 95 percent of lands managed by the BLM in Colorado, Montana, New Mexico, Utah and Wyoming are currently available for oil and gas leasing and development. Specifically, of the 116.4 million acres of BLM-managed lands in those states, more than 110 million acres are open to oil and gas leasing.

Outer Continental Shelf (OCS) oil and gas leasing, restricted by Congress in annual appropriations bills, has been concentrated in the Western Gulf of Mexico and in Arctic Alaska. Subject to those restrictions, new offshore leases covering about 35 million acres have been issued by the Minerals Management Service (MMS) since 1993. Overall, the MMS currently manages more than 44 million acres of OCS lands which have produced more than 143 trillion cubic feet (TCF) of natural gas. MMS estimates that the federal OCS will account for approximately 26 percent of the U.S. natural gas production in 2001.

Production of Oil, Gas and Coal from Offshore and Onshore Federal and Indian Lands*

	Oil <i>(barrels x 10⁶)</i>	Gas <i>(BCF)**</i>	Coal <i>(short tons x10⁶)</i>
1993-2000	4,651	55,587	2,917
1989-1992	1,903	23,619	1,069
1981-1988	4,180	43,606	1,324

*data provided by Department of the Interior

** billion cubic feet

IGNORING THE PROBLEM

On March 6, the U.S. Energy Information Agency (EIA) released its latest "Short-Term Energy Outlook" report. Its findings are alarming. Crude prices were projected to stay "high through 2002," hovering at an average of \$26.60 per barrel, with price spikes over \$30. Pump prices for gasoline are expected to be only six cents lower than last year's record highs, with the national average only dropping from \$1.53 per gallon of regular gasoline to \$1.47. EIA then warns: *"The current situation of relatively low inventories for gasoline could once again set the stage for some regional imbalances in supply that could bring about significant price volatility in the U.S. gasoline market."*

Furthermore, on April 6, EIA will release an updated outlook report. Given OPEC's agreement on March 17 to a 1 million barrel a day cut in production, in its April report, EIA's price projections could be even higher.

Natural gas reserves are projected to hit record lows this Spring. Homes dependent on natural gas for heat are expected to face utility bills that are 70 to 75% higher than last year. By the end of this Winter, well-head prices will be double last year's average.

EIA attributes pipeline failures and constraints as one of the reasons natural gas prices will not decline. Despite campaign promises to promote improved pipeline transportation, the Bush budget is silent on improving the integrity of our pipeline systems, other than to propose to continue to charge pipeline owners tens of millions of dollars per year to cover the cost of an inadequate federal safety inspection system. Pipeline accidents killed 17 people last year. In addition, these mishaps contributed to major energy supply disruptions in multiple regions of the country.

The extreme shortages of electricity in the Western U.S. are expected to worsen. In addition, electricity shortages may spread to other parts of the Country, especially to the Northeast. Despite the warnings that consumers need help now, the Bush budget does not contain any initiatives to provide price relief to any category of consumers this year.

WE CAN DO BETTER

Democrats believe Congress must adopt a comprehensive, balanced energy strategy that deals with both supply and demand. This balanced strategy must promote energy efficiency, increase domestic energy production, and protect consumers, while at the same time not degrading our environment. It must include such items as addressing infrastructure deficiencies, enacting tax policies that can encourage production, and enacting policies that reduce the demand for fuel and electricity, making our economy more efficient and profitable. This is a particularly glaring omission from the Bush budget when many meaningful energy conservation and efficiency measures could be put in place as quickly as it takes to change a light bulb. We should not be telling the consumers in California – or in other parts of the Country facing tight energy supplies and rolling blackouts – that there is nothing we can do to help when we could be taking the lead in making our economy more energy-efficient today.

Democrats recognize that our current energy situation is the result of a myriad of interconnecting factors that cannot be resolved with a quick fix. However, we believe that there are many short-term and long-term solutions and consumer-relief efforts that can be begun now.

One of the many examples of what can be done is the Emergency Energy Response Act of 2001 (H.R. 683), which has been introduced by House Democrats, to increase funding for LIHEAP and low-income weatherization, and state energy programs. This bill also recognizes that the federal government is the largest consumer of energy in America, and therefore requires federal facility managers to immediately work to increase energy efficiency and use renewable energy.

Finally, other key examples of the components of the type of comprehensive energy strategy being called for by Democrats include the following:

- C Fully fund energy efficiency and renewable energy research programs.
- C Provide tax incentives to keep marginal wells in production and encourage domestic oil exploration. Marginal wells account for over 20% of the US's on-shore oil production.
- C Commit to the federal purchase of domestic crude from marginal wells during times of low prices, and use these purchases to fill the over 110 million barrels in excess capacity in the Strategic Petroleum Reserve. This would provide a price floor for crude from marginal wells and allow the U.S. to strengthen the Reserve.
- C Expand existing tax incentives for utilizing renewable energy. Provide tax credits for consumers and businesses for improving the energy efficiency of homes and commercial buildings. Provide tax credits for purchasing high efficiency vehicles.
- C Fully fund the federal government's own energy efficiency efforts, saving taxpayers money and reducing energy demand this year. Change government contracting rules to include consideration of energy costs.

- C Expand current housing loan programs that encourage the purchase or renovation of more energy efficient homes.
- C Fully fund the new Northeast Heating Oil Reserve created by the Clinton Administration last year.